

CHAPTER 8**RECORDING COST AND ACCRUALS**0801 RECORDING COST AND ACCRUALS

080101. NASA's accounting records are maintained on an accrual basis. Financial transactions are recorded in the period of occurrence, even though related cash is disbursed or received during another period. Use of the accrual method is mandated by 31 USC 3512(e) and is intended to provide NASA management with more accurate financial data related to performance, a more realistic picture of the Agency's financial position so that sound budgets can be developed, informed decisions may be made, and NASA's financial statements properly reflect its financial status. The accrual method of accounting applies to all costs, however classified, deferred, or disposed of; to current expense (operating costs), reimbursable costs, inventory costs, prepaid costs, and fixed asset costs. Generally accepted accounting methods will be used in developing accruals. Accruals will be recorded in the appropriate accounts as of the end of each month. Simplified methods for monthly accruals such as inventories of documents and estimates based on previous experience may be used when demonstrated to be reasonably reliable. The Center Deputy Chief Financial Officer, Finance (DCFO (F)) is responsible for implementing proper procedures and ensuring reliable accruals, including approving accruals developed by personnel outside the Financial Management Office.

080102. NASA personnel should manage costs within obligated levels and not permit costs to exceed existing obligated amounts. This requirement applies to all types of obligations including contracts. Cost shall be accrued in accordance with the following instructions and generally accepted accrual accounting principles regardless of whether they exceed cumulative obligations on the contract. In such cases, the nature of the difference should immediately be determined and corrective action shall be immediately taken.

080103. Personnel Compensation, Personnel Benefits and Related Payments

A. Gross Compensation. Gross compensation, including overtime, will be accrued through the end of each month. A labor distribution system may be used to distribute actual charges to cost accounts and to credit accounts payable. A month-end record cutoff shall be made if practicable, such as where daily time records are kept and the only additional effort required is an interim cutoff and report. If a record cutoff is not feasible, cost must be accrued through the end of the month using the most reliable estimating techniques available. Labor cost accruals will be distributed to the appropriate benefiting project(s) and functions. Merit bonuses and awards will be accrued in the month in which the Center Financial Management Office is notified of the liability for payment. The cost of unused annual leave, compensatory time, and credit hours earned will be accrued at fiscal yearend, based upon the difference between the leave liabilities at the end of the prior and current fiscal years.

B. Benefits. Benefits, including NASA contributions to Social Security, retirement funds, the Thrift Savings Plan, and group health and life insurance programs will be accrued in the same manner as gross compensation. Other benefits, such as relocation-related

real estate costs and personnel allowances, shall be accrued in the month in which notification of liability for payment is received.

C. Reemployed Annuitants And Severance Pay. Payments to the Office of Personnel Management for reemployed annuitants and severance pay for former employees will be accrued in the same manner as gross compensation.

D. Recruitment and relocation bonuses and retention allowances. Recruitment and relocation bonuses and retention allowances shall be accrued in the month in which the Center Financial Management Office is notified of the requirement for payment.

080104. Civil Service Labor

A. It is the responsibility of every NASA Civil Service employee to record his or her time as accurately as possible against the particular program, project, service pool, or G&A activity for which the work was performed. The goal is to record to the “direct labor hour” for work performed to the actual Project WBS code assigned for that work. Labor Charge Codes for each particular program, project, service pool overhead function, or G&A function are managed within IFMP and provided to the web-based Time and Attendance Distribution System (WebTADS) for selection by employees when recording time. If the proper labor charge code does not exist, exceptions may be made. In some cases, there are alternative charge codes such as Center or Organization “All Hands,” awards ceremonies, education outreach, and Public Affairs Office events. Use of these codes should be rare and only represent a small fraction of an employee’s time. In cases where alternative codes do not exist, employees should charge their time to the activity upon which they spent most of their time for that pay period.

B. A service pool employee will charge his or her time directly to a project if the employee can identify the specific project. Direct labor must always be charged directly to benefiting projects, if known by the employee, whether the employee is either assigned to a direct or indirect cost pool. Indirect labor associated with pools must be charged to the pool indirect labor project WBS of the service pool. Other costs incurred in the service activity would be accumulated and eventually charged to the benefiting project based on a work order or other basis.

C. Labor Charge Codes also include the assignment of the employees performing organization. The Cost Center within Core Finance is used to identify the organization that an employee is assigned to based upon the Federal Personnel and Payment System (FPPS) or the SF 50, Notification of Personnel Action, for each employee. The recording of labor costs should be made by employee based upon his/her performing organization assignment within FPPS. Reporting will allow the Project Managers to select their specific charge codes (Project WBS, etc.) and see the employees that charged to this code. Reporting will also allow the Service Pool or G&A Manager to utilize the Cost Center(s) associated with their service pool to view where the employees assigned to these cost centers charged their labor. The performing organization should be derived from the FPPS assignment and not changed in labor reporting until a change has been officially made in FPPS.

D. Service pool reports that provide information regarding labor cost assessed to Center projects are available on-line at <http://olqr-cf.ifmp.nasa.gov>.

080105. Travel and Transportation of Persons

A. Accruals for transportation, per diem and miscellaneous costs will be based upon the estimated cost of the trip and accrued in their entirety in the month travel commences. Accrued costs will be adjusted to actuals when invoices and travel vouchers are paid. At fiscal yearend, recorded per diem and miscellaneous costs will be reduced by the amount of travel not performed during the fiscal year.

B. Travel costs not documented by travel orders, such as contracts for the rental of passenger-carrying vehicles not associated with TDY travel will be based upon contractor billings or estimated.

C. Permanent change of station travel and transportation costs shall be accrued when incurred.

080106. Travel Costs

A. Direct travel will be charged directly to benefiting projects, if known by the employee. Indirect travel in support of service pools must be charged to the benefiting service pool indirect travel funds, and should cite the performing organization of the employee as the cost center.

B. Beginning in FY05, Travel funding will remain in the Project Fund Centers for Direct Charge of Travel and be transferred to the 2100 Commitment Item for Funds Control. Service Pool and G&A Pools Travel funding will also remain in the Service Pool or Center G&A Fund Center but be transferred to the Commitment Item 2100 for Funds Control. Corporate G&A travel funding will be transferred to the Commitment Item 2100 at each lower level Fund Center as needed.

C. Travel approval will be managed at the project level for all programmatic travel requirements and at the organizational level for all indirect requirements.

D. Service pool reports that provide information regarding travel performed and assessed to Center projects are available on-line at <http://olqr-cf.ifmp.nasa.gov>.

080107. Transportation of Things

A. Costs evidenced by copies of Government Bills of Lading (GBL) issued to carriers will be accrued in the month the GBL is issued, concurrent with the obligation. At the end of the fiscal year, accrual of costs not covered by GBL's will be based upon billings received or other reliable notices that transportation has been accomplished. Transportation Costs for Permanent Change of Station (PCS) – *detail forthcoming*.

080108. Rents, Communications, and Utilities

A. Leases and Rents. Accruals for leases and rents will be based upon lease or rental agreements. In the absence of language to the contrary, 1/12 of the total annual rent shall be accrued each month.

B. Communications and Utility Service. Accruals for communications and utility service costs shall be based upon billings received. If billings are not available or usage fluctuates significantly, meter readings or estimates of usage will be obtained and priced according to the appropriate schedule of charges.

080109. Other Contractual Services. Costs of contracted services will be accrued as of the end of the month during which the services are performed. If invoices covering the services have not been received or approved, the accrual will be estimated, based upon the known level of activity, previous billings, or the estimates of cognizant NASA personnel.

080110. Supplies and Materials

A. Accruals will be based upon invoice prices, when available or receiving reports using purchase order prices.

B. Direct project or program support purchases for which the end use classification is predetermined will be accrued to the appropriate end use classifications in the month the items are received.

C. Stores and standby stock will be accrued initially against the applicable inventory cost pool.

D. All invoices supported by receiving reports and all receiving reports will be accrued.

080111. Grants, Subsidies, and Contributions. Cost accruals on advance-funded grants may be based upon the recipient's drawdown for the preceding quarter, as reported on the SF 272, or a straight-line calculation. The data reported by each recipient on their June 30 SF 272 shall be compared to the cumulative amount accrued through that date and adjustments made as necessary to bring the accrual into agreement with the data reported by the recipient, so that the amount accrued as of September 30 is as accurate as possible. When NF 533 reports are required on advance-funded contracts, the NF 533 reports will be used as the basis for recording cost rather than the SF 272. Subsidy and contribution costs will be recorded in the month in which administratively approved for payment.

080112. Contract Cost Reporting (CCR)A. Contracts with NASA Form 533 (NF 533) Reporting

1. When submittal of cost information on the NF 533 report is contractually required (normally, for cost type and fixed-price incentive of \$500,000 and greater in value and one year or more in length), the NF 533M (monthly) and NF 533Q (quarterly) reports will be the basis for the development of the cost accrual. (See NPD 9501.1, "NASA Contractor Financial Management Reporting System," and NPR 9501.2_, "NASA Contractor Financial Management Reporting," for detailed information on NF 533 reporting.) The monthly NF 533M report is due 10 operating days after the close of the contractor's accounting period or as negotiated. No due dates shall be later than the date by which the Center DCFO(F) requires the report for entering accrued cost data into the CCR extension.

2. The NF 533 report is not normally received in time to permit recording of the contractor's actual costs for the current month. The cost accrual is based on the cumulative actual cost through the end of the prior month plus the contractor's estimate for the current month. Once actual costs from the NF 533 are entered in the CCR extension to the Core Financial module of the IFM system, the extension calculates the current month accrual, including a retroactive "adjustment" to align previously accrued cost with subsequently reported actual cost.

3. Contractors' accounting periods commonly differ from the calendar month basis used for NASA accounting. Monthly cost accruals, however, need not include an estimate for the cost to be incurred during the period from the end of the contractor's accounting period to the end of the month, except at the end of the fiscal year.

4. If monthly analysis of the accuracy of a contractor's estimates indicates they are usually significantly inaccurate, appropriate corrective actions shall be promptly taken to ensure that future estimates are reasonably accurate. In the interim, the reported estimates may be increased or decreased to improve the accuracy of the Center's accruals. If, for a given month, there is other reason to believe that the contractor's estimate will be significantly inaccurate, that estimate may be increased or decreased to improve the accuracy of the accrual for the month. Any such adjustments, whether for an individual month or a period of months, are exceptions and must be explained in the Cost Entry Sheet in the CCR Extension. The CCR Administrator will review the explanation prior to his or her acceptance and posting of the accrual. The CCR Administrator must approve or obtain approval before update to the system occurs. If it is necessary to make adjustments to a contractor's estimates for a number of months while corrective actions are implemented to improve the accuracy of the estimates, the effect of such adjustments should be analyzed each month to ensure they are resulting in more accurate accruals. Contractor's actual costs shown on the 533 reports shall not be adjusted in developing cost accruals.

5. Centers are required to use the Contractor Cost Reporting (CCR) system within IFMP for the processing of NF 533 contracts. The CCR will serve as the basis of record for the accrual of contractor costs. The Electronic CCR (eCCR) provides for the

electronic receipt of the NF 533 data from the contractor at the level defined in the contract. NASA's goal is to eventually transition all NF 533s to the eCCR format.

6. Security is also provided within the CCR to maintain specific controls to protect and safeguard the information being reported by NASA Contractors. Three types of user roles have been created that will limit access to individual users. These roles are:

a. CCR Processor. CCR Processor provides access to the Cost Entry Screen for loading of NF 533 data. With the rollout of the eCCR (Electronic upload) this role should be phased out.

b. CCR Analyst. CCR Analyst provides access to the CCR Crosswalk, Cost Entry Screen, and Worksheet. A user with this role can update all three modules, however, they cannot post transactions into R/3.

c. CCR Administrator. CCR Administrator provides access to the CCR Crosswalk, Cost Entry Screen, and Worksheet. A user with this role can update all three modules, and in addition, they can post transactions into R/3.

1) The CCR Administrator will control the User Identification tables and the Authorization to Contract Table within the CCR. They must assure that each user's ID that is added to the User Identification Table has the appropriate Security Role assigned to that level of access. The CCR Administrator must perform periodic reviews of the User ID's with access to all three roles to maintain assurance that proper access is given.

2) The CCR Administrator will also assign the User ID to the Authorization table to specific contracts needed for that User. User can only access contracts where this authorization has been given.

d. Periodic reviews of at least every six months should be completed to validate that the assignment of users to the contracts is still valid. Removal of the User ID mapping to the Contract Number should occur if the access is no longer valid.

7. The CCR consists of four modules. Each module serves a purpose in the generation of monthly cost information for contractor costs.

a. CCR Crosswalk. The CCR Crosswalk provides the logic for the mapping of the NF 533/Contract to the FCS/Funding on the Contract in SAP through the use of the Reporting Category. The Reporting Categories reflect the Work Breakdown Structure of the Contract NF 533 or the tasks to be performed. In the Crosswalk Module the valid AWCS's or FCS codes and fund limits are mapped to the appropriate reporting category. These mappings are used in the CCR Worksheet for generation of the monthly accrual.

b. CCR Cost Entry Sheet. The CCR Cost Entry Sheet provides a table that is loaded manually through Cost Entry screen or electronically through

Interface to input the NF 533 data that is submitted by the Contractor at the Contract WBS level. In this file, the reporting category level is identified for linkage to the CCR Crosswalk FCS's.

c. CCR Accrual Worksheet. The CCR Accrual Worksheet provides visibility for cost transactions generated based on the Crosswalk and Cost Entry Data and the opportunity to make adjustments prior to posting. The CCR Worksheet calculates the Prior Month Adjustment based on the difference between the previous months current month estimate and actuals, and spreads this value and the current month estimate from the CCR Cost Entry Sheet to the FCS's within each reporting category based upon the costing method selected. The CCR contains three types of costing methods: Prorated, Sequence, or Percentage.

1) Prorated FIFO – Default Method. Cost is assigned to FCS's based on a percentage of the uncosted obligations where all elements of the FCS are the same including the Program Year.

2) Sequence. User assigns an order by which cost is allocated to the FCS's mapped to a Reporting Category

3) Percentage. User assigns a percentage of total cost to be allocated to the FCS's mapped to a Reporting Category

d. The CCR Worksheet also calculates and maintains the Cost In Excess of Obligations and Downward Adjustments at the Reporting Category and FCS Level within the contract (Procurement Line Item (PLI) and Accounting Line Item (ALI)).

e. CCR/SL Custom Post Program creates Service Entry Sheets (SES's) to reflect the PLI/ALI spread created by the CCR Worksheet and the Straight-line Accrual Program and records the SES within IFMP to record the cost accrual

8. Unfilled orders are the difference between cumulative costs incurred to date and the amounts obligated to any sellers, and may consist, for the prime contractor, of open purchase orders (including negotiated changes), against which materials have not been received or services have not yet been rendered. The difference between a subcontractor's actual costs reported by the prime and the fund limitations for the subcontractor may also be included. Subcontractor's unfilled orders may contain the same items. Since unfilled orders do not represent cost incurred to date, they shall not be accrued.

9. Termination liability, if reported by a contractor, represents the contractor's estimate of costs incident to stopping work on the contract, in the event of termination. Since these are not costs incurred to date, they shall not be accrued.

10. The final cost to the Government for the contract will be reduced by the amount of discounts taken for prompt payment, so cost accruals shall reflect the total amount of cost and fee incurred on the contract per the NF 533 report, less the amount of discounts taken. The Cost Accrual Worksheet in the CCR Extension provides for adjustments to accruals for discounts.

11. Fees shall be accrued as earned and reported on NF 533 reports or billed by contractors. In the case of award fees, only the base fee shall be accrued each month, unless historical evidence exists to support accrual of an estimated portion of the award fee. Incentive fees shall be accrued when earned in accordance with the incentive fee provisions in the contract. Any accrual adjustments for fees shall be explained in the Cost Entry Sheet in the CCR Extension.

080113. Monitoring NF 533 Timeliness, Contractor Estimates and CCR Accruals

A. The timeliness of receipt of the NF 533 reports and the accuracy of accruals shall be monitored each month. The CCR extension provides Analysis of Accrued Cost, Timeliness of CCR and CCR Adjustment Explanation Reports to assess the timeliness and accuracy of Center accruals and contractor estimates. Transaction codes for these Reports are available on-line at: <http://olqr-cf.ifmp.nasa.gov>. Center Cost Accountants shall review Analysis of Accrued Cost Reports for these contracts each month and ensure adequate narrative comments explaining rates in excess of +/-5 percent are provided. Particular attention shall be paid to those contracts which account for the majority of the Center's total monthly accrued cost. Appendix 3 provides an example and the level of detail required regarding explanation of the variances identified in the Analysis of Accrued Cost Report and CCR Adjustment Explanation Report. Performance shall be tracked against established goals. Center DCFO(F)'s shall regularly review these metrics with Center CFO's.

B. The DCFO(F) shall notify the contracting officer when contractors' NF 533 reports are frequently late or the estimates reported show consistent, significant variances to subsequently reported actuals, so that the contracting officer may pursue corrective action.

C. NF 533 reports should be structured to facilitate accrual accounting in accordance with NASA's prescribed coding structure, in categories that directly relate to the proper funding appropriations. Reporting structures should be designed to also provide cost data in the program/functional management classifications by which NASA managers relate in-house activity. NPD 9501.1, "NASA Contractor Financial Management Reporting System," and NPR 9501.2_, "NASA Contractor Financial Management Reporting," provide requirements and guidance regarding the development of NF 533 reporting structures.

080114. Contracts Without NF 533 Reporting

A. The Core Financial module of the IFM system provides for straight-line or miscellaneous accruals for contracts without contractor cost reporting. The straight-line extension shall be used when appropriate. Otherwise, miscellaneous cost accruals shall be made, based upon the most appropriate, reliable data available, such as recent statements of costs, contractor billings, or other reasonable projections. NASA will utilize the Straightline Cost Extension within IFMP to manage purchase orders and contracts that are to be costed by the extension or that are miscellaneous costed through manual processes. Service Based PO/Contracts without the NF 533 Indicator on the NASA Data Tab are identified within the Straight-line Extension as straight-line or miscellaneous. On those contracts that are tagged

straight-line, calculations are performed to generate a monthly accrual based upon the remaining contract value divided by the remaining period of performance (POP). The Straightline Extension uses the Prorated Costing Method to spread the calculated accrual to the uncoded obligation by FCS within the PO/Contract. Remaining cost values of the PO/Contract Obligations are fully coded in last period of POP.

B. When the contract provides for advance payments through the Department of Health and Human Services (HHS) Payment Management System, cost accruals will be automatically generated based upon the recipient's drawdowns. For HHS contracts where an NF 533 is received, the cost is based upon the NF 533 through the CCR and the drawdowns are posted manually.

080114. Purchase Orders with Other Government Agencies. Cost accruals for purchase orders with other Government agencies shall be made through the CCR extension where NF 533 reports can be obtained, the straight-line extension where appropriate or by miscellaneous entry based upon the most reliable data available, including NASA Defense Purchase Requests, (NASA Form 523), receiving reports, and cost estimates obtained from the Government agency involved. Estimates of construction work in progress will routinely be obtained from the Department of the Army Corps of Engineers, or other Government agencies. Where estimates cannot be obtained from other Government agencies, accruals will be based upon the purchase order terms and prior billings. Monthly accruals will be recorded through manual Service Entry Sheets.

080115. Minor Items. Minor items of a petty cash nature and such things as COD deliveries may be recorded as costs when payment or final settlement is made without regard to the specific period of actual use.